

KRAMER LEVIN NAFTALIS & FRANKEL LLP
Kenneth H. Eckstein
Douglas H. Mannal
Joseph A. Shifer
1177 Avenue of the Americas
New York, New York 10036
Telephone: (212) 715-9100
Facsimile: (212) 715-8000

Counsel for the ResCap Liquidating Trust

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Case No. 12-12020 (MG)
)	
RESIDENTIAL CAPITAL, LLC, <u>et al.</u> ,)	Chapter 11
)	
Debtors.)	Jointly Administered
)	

**TWENTY-THIRD POST-CONFIRMATION STATUS
REPORT OF THE RESCAP LIQUIDATING TRUST**

The ResCap Liquidating Trust (the “**Liquidating Trust**”), as successor in interest to the debtors (collectively, the “**Debtors**”) in the above-captioned cases (the “**Chapter 11 Cases**”), hereby submits this post-confirmation status report for the quarterly period ending on June 30, 2020 (the “**Reporting Period**”), and respectfully represents as follows:

STATUS REPORT

1. On December 11, 2013, the Court entered the *Order Confirming Second Amended Joint Chapter 11 Plan Proposed by Residential Capital, LLC et al. and the Official Committee of Unsecured Creditors* (the “**Confirmation Order**”) [Docket No. 6065] approving the terms of the Chapter 11 plan, as amended (the “**Plan**”), filed in these Chapter 11 Cases [Docket No. 6065-1].¹

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

2. On December 17, 2013, the Effective Date of the Plan occurred (the “**Effective Date**”), and the Liquidating Trust was established [Docket No. 6137]. Pursuant to the Plan, the Liquidating Trust was established to wind down the affairs of the Debtors. *See* Plan, Art. VI.

3. On August 13, 2014, the Liquidating Trust filed an application for entry of a post-confirmation order (the “**Post-Confirmation Order**”) [Docket No. 7385]. On August 26, 2014, the Court entered an amended Post-Confirmation Order [Docket No. 7431]. Pursuant to the Post-Confirmation Order, the Liquidating Trust is required to file quarterly and annual status reports detailing the actions taken by the Liquidating Trust and the progress made toward the consummation of the Plan.

4. Attached hereto as **Exhibit A** is a copy of the Liquidating Trust’s consolidated financial statements and letters to beneficiaries (collectively, the “**Financial Statements**”) detailing the Liquidating Trust’s activity during the Reporting Period. The Financial Statements have been posted to the Liquidating Trust’s website at <http://rescapliquidatingtrust.com>.

NOTICE

5. Notice of this Status Report has been provided to the parties identified on the Special Service List and General Service List, as those terms are defined in the Notice, Case Management, and Administrative Procedures approved by the Court [Docket No. 141], including the Office of the U.S. Trustee for the Southern District of New York.

Dated: August 6, 2020
New York, New York

KRAMER LEVIN NAFTALIS & FRANKEL LLP

/s/ Joseph A. Shifer
Kenneth H. Eckstein
Douglas H. Mannal
Joseph A. Shifer
1177 Avenue of the Americas
New York, New York 10036
Telephone: (212) 715-9100
Facsimile: (212) 715-8000

Counsel for the ResCap Liquidating Trust

Exhibit A

ResCap Liquidating Trust

ResCap Liquidating Trust

**Condensed Consolidated Financial Statements
as of and for the Period Ended June 30, 2020
(Unaudited)**

ResCap Liquidating Trust

Table of Contents

Condensed Consolidated Statement of Net Assets in Liquidation	3
Condensed Consolidated Statement of Cash Receipts and Disbursements	4
Condensed Consolidated Statement of Changes in Net Assets in Liquidation	5
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6
1. Description of Business and Basis of Presentation.....	6
2. Restricted Cash.....	6
3. Mortgage Assets.....	7
4. Other Receivables.....	7
5. Other Assets	7
6. Estimated Costs to Operate the Trust	8
7. Commitments and Contingencies	8
8. Subsequent Events	9

ResCap Liquidating Trust

Condensed Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

Assets:	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 88,607	\$ 100,869
Restricted cash	3,507	3,496
Mortgage assets	1,945	2,416
Other assets	19	730
Other receivables	58,514	-
Total assets	152,592	107,511
Liabilities:		
Estimated costs to operate Trust	63,963	78,246
Liability for undistributed funds	229	229
Total liabilities	64,192	78,475
Net Assets in Liquidation	\$ 88,400	\$ 29,036
Total units in the Trust	<u>98,859,354</u>	<u>98,859,354</u>
Net assets per authorized unit	<u>\$ 0.89</u>	<u>\$ 0.29</u>

The Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

ResCap Liquidating Trust

Condensed Consolidated Statement of Cash Receipts and Disbursements

(Unaudited)

In thousands

Receipts	Quarter ended June 30, 2020	Year to date ended June 30, 2020	Effective Date through June 30, 2020
Receipts on assets held for sale	\$ 91	\$ 573	\$ 642,182
Litigation / claim recoveries		1,875	1,259,962
Other receipts	3,441	4,231	169,792
Plan settlements	-	-	2,100,000
Total receipts	3,532	6,679	4,171,936
Disbursements			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	1	-	(88,211)
Costs to operate the Trust	(7,458)	(18,930)	(686,752)
Total disbursements	(7,457)	(18,930)	(2,417,037)
Distributions			
Declared distribution	-	-	(3,370,000)
Recaptured distribution	-	-	29,506
Change in undistributed funds	-	-	229
Total distributions	-	-	(3,340,265)
Net cash flow	(3,925)	(12,251)	(1,585,366)
Cash and restricted cash, beginning of period	96,039	104,365	1,677,480
Cash and restricted cash, June 30, 2020	\$ 92,114	\$ 92,114	\$ 92,114

The Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

ResCap Liquidating Trust

Condensed Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

	Quarter to date ended June 30, 2020	Year to date ended June 30, 2020	Effective Date through June 30, 2020
Net cash flow	\$ (3,925)	\$ (12,251)	\$ (1,585,366)
Other non-cash changes:			
Increase (decrease) in asset value assumptions	(41)	4	(55,026)
(Acrease) decrease in costs to operate the Trust	(4,384)	(4,632)	(544,611)
(Acrease) decrease in DOJ/AG consent settlement	-	(1)	(7,551)
Basis of assets/liabilities liquidated/resolved	65,274	76,244	(234,418)
(Acrease) decrease in distributions held for Beneficiaries	-	-	(229)
Total non-cash changes	60,849	71,615	(841,835)
Total increase (decrease) in net assets	56,924	59,364	(2,427,201)
Net assets in liquidation, beginning of period	31,476	29,036	2,515,601
Net assets in liquidation, June 30, 2020	\$ 88,400	\$ 88,400	\$ 88,400

Per unit information:

	\$ per Unit	\$ per Unit	\$ per Unit
Net assets per unit, beginning of period	\$ 0.32	\$ 0.29	\$ 25.16
Impact of cancelled units on beginning balance	-	-	0.29
Revised beginning of period balance	.32	0.29	25.45
Recognition of cancelled unit prior period distributions	-	-	-
Increase in net assets per unit	0.57	0.60	9.23
Declared distributions per unit	-	-	(33.79)
Net asset per unit, June 30, 2020	\$ 0.89	\$ 0.89	\$ 0.89

The Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

ResCap Liquidating Trust

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Description of Business and Basis of Presentation

The ResCap Liquidating Trust (“Trust”) was formed in connection with the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code (“Plan”) in the bankruptcy case of Residential Capital, LLC (“ResCap”). The Plan became effective on December 17, 2013 (“Effective Date”).

Units of beneficial interest (“Units”) were issued by the Trust. The Units entitle their holders (“Beneficiaries”) to receive a proportionate amount of cash distributions (“Declared Distributions”) made by the Trust.

Basis of Presentation

The unaudited Condensed Consolidated Financial Statements (the “Statements”) reflect the accounts of the Trust and subsidiaries after eliminating all significant intercompany balances and transactions. The Statements reflect all adjustments that are, in management’s opinion, necessary for the fair presentation of the results for the periods presented. The Statements have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. The assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. The Trust also accrues costs that it expects to incur through the end of its liquidation. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2019.

2. Restricted Cash

Restricted cash is comprised of the following (in \$000’s):

	June 30, 2020	December 31, 2019
Servicer Escrow	\$ 3,278	\$ 3,267
Distributions held for Beneficiaries	229	229
Total restricted cash	<u>\$ 3,507</u>	<u>\$ 3,496</u>

The Servicer Escrow restricted cash includes a \$1.0 million liquidity escrow that will be released to the Trust 60 days post termination of the servicer contract, and an additional \$2.3 million supporting servicer potential incentive payable. The incentive payable balance is valued at \$1.2 million as of June 30, 2020. Any restricted cash not utilized for the incentive will be released to the Trust 60 days post termination of the servicer contract.

ResCap Liquidating Trust

3. Mortgage Assets

Mortgage assets are comprised of the following (in \$000's):

	June 30, 2020		December 31, 2019	
	Gross Balance	Carry Value	Gross Balance	Carry Value
Mortgage insurance claims (FHA/VA)	\$ 4,678	\$ 1,823	\$ 8,573	\$ 2,092
Non-insured mortgage loans	1,964	-	1,952	-
Real estate owned	222	122	1,499	324
Trading Securities	133	-	153	-
Total mortgage assets	\$ 6,997	\$ 1,945	\$ 12,177	\$ 2,416

The remaining Mortgage insurance FHA claims have a carrying value of \$1.8 million representing the Trust's future expected recovery value. The resolution timelines are subject to asset specific hurdles, including final title approval from HUD, filing documentation for expense claims, and HUD review and approval. HUD has suspended processing manually submitted claims which account for the vast majority of the remaining assets. Real estate owned is pending receipt of cash from our servicer as the related properties have been sold.

The Trust carrying values for Mortgage insurance claims reflect the net present value of the estimated cash flow. Because of the uncertainties associated with estimating the amounts, timing and likelihood of possible outcomes, actual results could differ from the Trust's estimates.

4. Other Receivables

Other receivables is comprised of the following (in \$000's):

	June 30, 2020	December 31, 2019
Affirmative Matters, Net	\$ 58,500	\$ -
Other receivables	14	-
Total other receivables	\$ 58,514	\$ -

5. Other Assets

Other assets is comprised of the following (in \$000's):

	June 30, 2020	December 31, 2019
Investment in stock	\$ -	\$ 711
Other assets	19	19
Total other assets	\$ 19	\$ 730

ResCap Liquidating Trust

6. Estimated Costs to Operate the Trust

Estimated costs to operate the Trust are comprised of the following (in \$000's):

	June 30, 2020			December 31, 2019	
	Accrued	Future	Total		Total
Professional fees (legal, expert, other professional costs)	\$ 11,955	\$ 37,423	\$ 49,378		\$ 57,572
Compensation	1,977	5,758	7,735		8,844
Document management	9	984	993		5,134
Information technology	54	2,166	2,220		2,887
Other operating costs	1,126	2,511	3,637		3,809
Total costs to operate the Trust	\$ 15,121	\$ 48,842	\$ 63,963		\$ 78,246

The estimated cost to operate the Trust is \$63.9 million including \$15.1 million of expenses that have been incurred but not yet paid (\$11.9 million professional fees, and \$3.2 million other operating costs) and \$48.8 million of expected future costs for July 2020 through June 2022. Of the future \$48.8 million cost, \$17.8 million supports the on-going RMBS litigation and insurance recovery case pending in Bankruptcy Court, SDNY and \$31.0 million represents contractual obligations and the future costs for the operations and winddown of the Trust.

7. Commitments and Contingencies

Litigation

From time to time claims may be asserted against the Trust. At this time, the Trust cannot estimate the possible financial effect of these claims.

Affirmative Matters

The Trust is pursuing various affirmative matters. These include:

- There is one pending indemnity claim against Primary Residential Mortgage, Inc., which was tried in Minnesota Federal Court in a bench trial that concluded on March 13, 2020. The parties submitted findings of fact and conclusions of law to the Court in April 2020 and a decision is pending.
- Insurance Recovery Action. The Trust has an adversary proceeding case pending in the U.S. Bankruptcy Court for the Southern District of New York, Drennen, et al., and ResCap Liquidating Trust v. Certain Underwriters at Lloyd's, London, et al., Adv. Case No. 15-01025-shl. In December 2019, the Bankruptcy Court issued a partial Summary judgement in favor of the Trust. The Trust's claim is approximately \$40 million, exclusive of interest and fees. Per the Trust's accounting policy, the Trust has not recorded this estimate in these Condensed Consolidated Financial Statements.
- Reservation of rights. The Trust has reserved its rights with respect to other affirmative claims it may bring in the future.

At this time, the Trust cannot predict the outcome of these matters or estimate the possible financial effect of these matters on the Condensed Consolidated Financial Statements, and as such, neither contingent gains nor any contingent costs to pursue these matters are currently recorded.

ResCap Liquidating Trust

8. Subsequent Events

Events subsequent to June 30, 2020 were evaluated through, August 4, 2020, the date on which these Condensed Consolidated Financial Statements were issued.

On August 3, 2020, the Trust announced a cash distribution of \$.3601 per unit to holders of units of beneficial interest in the Trust, totaling \$35.6 million. The distribution date will be August 31, 2020 with a distribution record date of August 14, 2020.



LIQUIDATING TRUST

ResCap Liquidating Trust

Q2 2020 Beneficiary Letter

RESCAP

LIQUIDATING TRUST

August 4, 2020

Dear Beneficiaries:

On August 3, 2020, the Board of Directors declared a distribution in the amount of \$35.6 million to holders of record as of August 14, 2020, payable on August 31, 2020.

The Trust concluded its bench trial against Primary Residential Mortgage, Inc in Federal District Court in Minnesota at the end of Q1 2020 and is awaiting a decision from the Court.

On June 17, 2020, the Trust entered into a settlement agreement with LendingTree, LLC for \$58.5 million, less any amounts ResCap receives in the Home Loan Center Inc. ("HLC") bankruptcy.

The Trust continues to pursue litigation in its insurance recovery action pending in the U.S. Bankruptcy Court for the Southern District of New York.

In Q2, the Trust received \$1.8 million related to the final release of reserves from MersCorp Holdings, Inc. The release was a component of the stock exchange agreement the Trust entered into in June 2016 related to its shares of MERS stock. Additionally, the Trust received \$1.2 million related to its exchange of 3,553,553 of common shares held in CalWest Bancorp.

The Administrative Set Aside of \$48.8 million (net of costs incurred but not yet paid) reflects the extension of the Trust through June 2022 to support the continuing work with the correspondent RMBS litigation, insurance adversary action, and final wind down actions. A breakdown of the costs is shown in the accompanying financial statements.

To aid Beneficiaries in their tax reporting, the Trust is providing a quarterly Tax Information Letter and estimated quarterly tax information updated for Q1 and for Q2. The Tax Information Letter is being distributed along with this quarterly Beneficiary Letter. The Trust's second quarter 2020 financial report and certain tax information have been posted on our website at <http://www.rescapliquidatingtrust.com/#financial-statements>.

The Trust continues to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,



John Ray

Liquidating Trust Manager